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8 *Counsel for Plaintiff*

9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 LAVALE BURNS, Individually and on  
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 UP FINTECH HOLDING LIMITED,  
16 TIANHUA WU, and JOHN FEI ZENG,

17 Defendants.  
18

No.

19 **CLASS ACTION COMPLAINT  
20 FOR VIOLATIONS OF THE  
21 FEDERAL SECURITIES LAWS**

22 CLASS ACTION

23 JURY TRIAL DEMANDED  
24  
25  
26  
27  
28

1 Plaintiff Lavale Burns (“Plaintiff”), individually and on behalf of all other  
2 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s  
3 complaint against Defendants (defined below), alleges the following based upon  
4 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and  
5 belief as to all other matters, based upon, among other things, the investigation  
6 conducted by and through his attorneys, which included, among other things, a  
7 review of the Defendants’ public documents, public filings, wire and press releases  
8 published by and regarding UP Fintech Holding Limited (“UP Fintech” or the  
9 “Company”), and information readily obtainable on the Internet. Plaintiff believes  
10 that substantial evidentiary support will exist for the allegations set forth herein  
11 after a reasonable opportunity for discovery.

### 12 **NATURE OF THE ACTION**

13  
14 1. This is a class action on behalf of persons or entities who purchased  
15 or otherwise acquired publicly traded UP Fintech securities between April 29, 2020  
16 and May 16, 2023, inclusive (the “Class Period”). Plaintiff seeks to recover  
17 compensable damages caused by Defendants’ violations of the federal securities  
18 laws under the Securities Exchange Act of 1934 (the “Exchange Act”).

### 19 **JURISDICTION AND VENUE**

20 2. The claims asserted herein arise under and pursuant to Sections 10(b)  
21 and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5  
22 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

23 3. This Court has jurisdiction over the subject matter of this action  
24 pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C.  
25 §78aa).

26 4. Venue is proper in this judicial district pursuant to 28 U.S.C. §  
27 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged  
28

1 misstatements entered and the subsequent damages took place in this judicial  
2 district.

3 5. In connection with the acts, conduct and other wrongs alleged in this  
4 complaint, Defendants (defined below), directly or indirectly, used the means and  
5 instrumentalities of interstate commerce, including but not limited to, the United  
6 States mails, interstate telephone communications and the facilities of the national  
7 securities exchange.

8 **PARTIES**

9 6. Plaintiff, as set forth in the accompanying certification, incorporated  
10 by reference herein, purchased UP Fintech securities during the Class Period and  
11 was economically damaged thereby.

12 7. UP Fintech describes itself as follows: “UP Fintech Holding Limited,  
13 together with its consolidated subsidiaries (collectively, the “Company” or the  
14 “Group”), is a leading integrated financial technology platform providing cross-  
15 market, multi-product investment experience for investors around the world.”

16 8. The Company is incorporated in the Cayman Islands and has its  
17 principal places of business in Beijing, People’s Republic of China (“China”) and  
18 in Singapore. UP Fintech’s American Depositary Shares (“ADS” or “ADSs”) trade  
19 on the NASDAQ exchange under the ticker symbol “TIGR”.

20 9. Defendant Tianhua Wu (“Wu”) has served as the Up Fintech’s Chief  
21 Executive Officer (“CEO”) and as a Director since January 2018

22 10. Defendant John Fei Zeng (“Zeng”) has served as the Company’s  
23 Chief Financial Officer (“CFO”) and as a Director since October 2018.

24 11. Defendants Wu and Zeng are collectively referred to herein as the  
25 “Individual Defendants.”

26 12. Each of the Individual Defendants:

27 (a) directly participated in the management of the Company;  
28

1 (b) was directly involved in the day-to-day operations of the Company at  
2 the highest levels;

3 (c) was privy to confidential proprietary information concerning the  
4 Company and its business and operations;

5 (d) was directly or indirectly involved in drafting, producing, reviewing  
6 and/or disseminating the false and misleading statements and information  
7 alleged herein;

8 (e) was directly or indirectly involved in the oversight or implementation  
9 of the Company's internal controls;

10 (f) was aware of or recklessly disregarded the fact that the false and  
11 misleading statements were being issued concerning the Company; and/or

12 (g) approved or ratified these statements in violation of the federal  
13 securities laws.

14 13. The Company is liable for the acts of the Individual Defendants and  
15 its employees under the doctrine of *respondeat superior* and common law  
16 principles of agency because all of the wrongful acts complained of herein were  
17 carried out within the scope of their employment.

18 14. The scienter of the Individual Defendants and other employees and  
19 agents of the Company is similarly imputed to UP Fintech under *respondeat*  
20 *superior* and agency principles.

21 15. Defendant UP Fintech and the Individual Defendants are collectively  
22 referred to herein as "Defendants."

23  
24 **SUBSTANTIVE ALLEGATIONS**

25 **Materially False and Misleading Statements Issued During the Class Period**

26 16. On April 29, 2020, the Company filed with the SEC its Annual Report  
27 on Form 20-F for the year ended December 31, 2019 (the "2019 Annual Report").  
28

1 Attached to the 2019 Annual Report were signed certifications pursuant to the  
2 Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Wu and Zeng attesting  
3 to the accuracy of financial reporting, the disclosure of any material changes to the  
4 Company’s internal controls over financial reporting, and the disclosure of all  
5 fraud.

6 17. The 2019 Annual Report contained the following risk disclosures  
7 regarding the Company’s unlicensed operations in China:

8 ***We may not be able to obtain or maintain all necessary licenses,***  
9 ***permits and approvals and to make all necessary registrations and***  
10 ***filings for our activities in multiple jurisdictions and related to***  
11 ***residents therein, especially in China or otherwise related to PRC***  
12 ***residents.***

13 We operate in a heavily-regulated industry which requires various  
14 licenses, permits and approvals in different jurisdictions to conduct  
15 our businesses. Our customers include people who live in  
16 jurisdictions where we do not have licenses issued by the local  
17 regulatory bodies. ***It is possible that authorities in those jurisdictions***  
18 ***may take the position that we are required to obtain licenses or***  
19 ***otherwise comply with laws and regulations which we believe are***  
20 ***not required or applicable to our business activities. If we fail to***  
21 ***comply with the regulatory requirements, we may encounter the risk***  
22 ***of being disqualified for our existing businesses or being rejected***  
23 ***for renewal of our qualifications upon expiry by the regulatory***  
24 ***authorities as well as other penalties, fines or sanctions.*** In addition,  
25 in respect of any new business that we may contemplate, we may not  
26 be able to obtain the relevant approvals for developing such new  
27 business if we fail to comply with the relevant regulations and  
28 regulatory requirements. As a result, we may fail to develop new  
business as planned, or we may fall behind our competitors in such  
businesses.

26 In addition, a significant portion of our technology research and  
27 development, management, supporting and other teams are based in  
28 China and substantially all of our customers are Chinese speaking  
people including PRC citizens. Our PRC subsidiaries and VIEs work

1 closely with and provide significant supporting services for our  
2 trading platform outside of China as well as teams in New Zealand,  
3 Hong Kong, Singapore, the United States and Australia.

4 ***In the opinion of our PRC legal counsel, our current supporting***  
5 ***activities in China do not require a securities brokerage license or***  
6 ***permit under the existing PRC securities laws and regulations.***  
7 ***However, new laws and regulations in connection with our business***  
8 ***activities may be adopted from time to time. There may be***  
9 ***substantial uncertainties regarding the interpretation and***  
10 ***application of current or any future PRC laws and regulations***  
11 ***applicable to our business and that the PRC government or other***  
12 ***governmental authorities may ultimately take a view that is***  
13 ***inconsistent with the opinion of our PRC legal counsel.*** For instance,  
14 if certain of our activities in China were deemed by relevant regulators  
15 as provision of securities brokerage services, future brokerage  
16 services, securities or futures investment consulting services or stock  
17 option brokerage business, we might be subject to licensing  
18 requirements from the China Securities Regulatory Commission  
19 (“CSRC”).

20 In July 2016, the CSRC posted an investor alert on its website warning  
21 investors that except for certain investment channels approved by the  
22 CSRC under the PRC laws, the CSRC has not approved any domestic  
23 or foreign institutions to provide services for domestic investors to  
24 participate in overseas securities trading. In September 2016, we  
25 received a rectification notice issued by the Beijing branch of the  
26 CSRC. Following such notice, we took certain rectification measures  
27 in order to comply with the requirements set forth therein, and we  
28 provided written responses to such authority promptly. We  
communicate with the Beijing branch of the CSRC from time to time  
to ensure our business follow their requirements. As of the date of this  
report, we have not received further written rectification requirements  
from the CSRC. For more details of the notice and our rectification  
measures, please see Item 4.B “Business Overview —PRC  
Regulations Relating to Securities and Futures Brokerage Business.”  
However, we cannot assure you that we will not be subject to further  
investigation or scrutiny from regulators even though we had not yet  
received any negative opinion or penalty for the activities of our PRC  
entities or services provided to PRC investors so far. If we are

1 required to make further rectifications, our business and financial  
2 condition could be materially and adversely affected. If we fail to  
3 receive required permits in a timely manner or at all, or obtain or  
4 renew any permits and certificates, we may be subject to fines,  
5 confiscation of the gains derived from our non-compliant activities,  
6 suspension of our non-compliant activities or claims for  
7 compensation of any economic loss suffered by our customers or  
8 other relevant parties.

9 (Emphasis added).

10 18. This risk disclosure was materially false and misleading because,  
11 while the Company disclosed that it was not properly licensed in China, it materially  
12 misrepresented the level of risk of operating unlicensed in China. Rather than  
13 plainly indicating that its activities in China were illegal, and that its Hong Kong  
14 license did not carry over to China, it falsely indicated that there were legal  
15 ambiguities to the applicable Chinese laws. Further, by stating that it was merely  
16 “possible” that the Chinese government may take the position that the Company  
17 required proper licensing, and take regulatory action against it due to its lack of that  
18 license, the Company materially understated its regulatory risk.

19 19. The 2019 Annual Report also contained the following section  
20 regarding Chinese securities laws:

21 **PRC Regulations Relating to Securities and Futures Brokerage**  
22 **Business**

23 Under existing PRC securities laws and regulations, including  
24 Securities Law of the PRC, which was most recently amended on 28  
25 December, 2019 and the amended Securities Law of the PRC became  
26 effective on March 1, 2020, operating securities business in the PRC,  
27 including among others, securities brokerage business, futures  
28



1 brokerage business, stock option brokerage business, and securities  
2 and futures investment consulting services, requires a securities  
3 brokerage license or certain other approvals from the Chinese  
4 Securities Regulatory Commission, or the CSRC. In addition, the  
5 Securities Law also stipulates that the offering and trading of  
6 securities outside the People's Republic of China which disrupt the  
7 domestic market order of the People's Republic of China and harm  
8 the legitimate rights and interests of domestic investors shall be dealt  
9 with pursuant to the relevant provisions of this Securities Law, and  
10 legal liability shall be pursued. This is the second major set of  
11 amendments of the Securities Law since the major revision in 2005.  
12 Three main changes have been widely reported and discussed,  
13 namely, (i) the reform of the registration-based IPO system, (ii) the  
14 imposition of more severe punishments for violations, and (iii) the  
enhancement of protection for retail investors. Apart from these  
revisions, this article is intended to briefly introduce the following  
five aspects that are highlighted for foreign institutional investors,  
namely, (i) scope of application, (ii) program trading, (iii) prohibition  
on account lending and borrowing, (iv) short swing profit, and (v)  
changes in regard to 5% shareholding.

15 ***Failure to comply with such laws and regulations may result in***  
16 ***penalties, including rectification requirements, confiscation of***  
17 ***illegal proceeds, fines or even shutting down of business.*** In relation  
18 to our business in the PRC, one of our PRC entities received a  
19 rectification notice issued by the Beijing branch of the CSRC in  
20 September 2016, which required us, among others, to refrain from  
21 providing support to unauthorized foreign service providers that  
22 conduct securities business in China. Following the notice, we took  
23 certain rectification measures, including among others, (i) removing  
24 links to, and access to account opening functions of the website and  
25 the APP previously developed by such PRC entity; (ii) deleting  
26 "Zhengquan" (securities in Chinese) and "Gupiao" (stocks in  
27 Chinese) from the name of the APP previously developed by such  
28 PRC entity; and (iii) timely submitting in writing to the Beijing branch  
of the CSRC to brief on the rectification measures made by such PRC  
entity. Afterwards, we had communicated with the Beijing branch of  
the CSRC for a few times and further adjusted our business in China  
to comply with PRC laws. We believe that we have taken necessary  
measures in response to such notice and as of the date of this report,



1 we had not received any further inquiry or rectification requirement  
2 from the CSRC. However, we cannot assure you that the CSRC will  
3 take the same view as us and do not expect a formal notice from the  
4 CSRC to inform us whether our PRC entity had satisfied the  
5 requirements in the aforementioned notice. See Item 3.D “Risk  
6 Factors—Risks Related to Our Business and Industry—We may not  
7 be able to obtain or maintain all necessary licenses, permits and  
8 approvals and to make all necessary registrations and filings for our  
9 activities in multiple jurisdictions and related to residents therein,  
10 especially in China or otherwise related to PRC residents.”

11 (Emphasis added.)

12 20. This disclosure was materially false and misleading because it  
13 discussed future penalties in general, hypothetical terms, rather than as being likely  
14 due to the Company’s failure to obtain the required Chinese license.

15 21. The 2019 Annual Report contained the following risk disclosure  
16 about the Company’s regulatory risk:

17 *Non-compliance with applicable laws in certain jurisdictions could  
18 harm our business, reputation, financial condition and results of  
19 operations.*

20 The businesses of securities and other financial instruments are heavily  
21 regulated. *Our broker business is subject to regulations in the United  
22 States, Singapore, New Zealand, Australia and other jurisdictions in  
23 which we offer our products and services. Major regulatory bodies  
24 include, among others, in the United States, the Financial Industry  
25 Regulatory Authority, or the FINRA, and the SEC; in Singapore, the  
26 Monetary Authority of Singapore, or the MAS; in New Zealand, the  
27 Financial Markets Authority New Zealand, or the FMA, the New  
28 Zealand Stock Exchange, or the NZX, and the Financial Service  
Providers Register, or the FSPR; in Australia, the Australian  
Securities and Investments Commission, or the ASIC.* Domestic and  
foreign stock exchanges, other self-regulatory organizations and state  
and foreign securities commissions can censure, fine, issue cease-and-  
desist orders, suspend or expel a broker and its officers or employees.  
Non-compliance with applicable laws or regulations could result in

1 sanctions to be levied against us, including fines and censures,  
2 suspension or expulsion from a certain jurisdiction or market or the  
3 revocation or limitation of licenses, which could adversely affect our  
4 reputation, prospects, revenues and earnings.

5 Furthermore, securities brokerage firms are subject to numerous  
6 conflicts of interest or perceived conflicts of interest, over which  
7 federal and state regulators and self-regulatory organizations have  
8 increased their scrutiny. Addressing conflicts of interest is a complex  
9 and difficult undertaking. Our business and reputation could be  
10 harmed if we were to fail, or appear to fail, to address conflicts  
11 appropriately.

12 \* \* \*

13 ***Our ability to comply with all applicable laws and rules is largely***  
14 ***dependent on our internal system to ensure compliance, as well as***  
15 ***our ability to attract and retain qualified compliance personnel.***

16 While we maintain systems and procedures designed to ensure that we  
17 comply with applicable laws and regulations, violations could still  
18 occur. Some legal and regulatory frameworks provide for the  
19 imposition of fines or penalties for non-compliance even though the  
20 non-compliance was inadvertent or unintentional and even though  
21 systems and procedures reasonably designed to prevent violations  
22 were in place at the time. There may be other negative consequences  
23 resulting from a finding of non-compliance, including restrictions on  
24 certain activities. Such a finding may also damage our reputation and  
25 our relationships with regulators and could restrict the ability of  
26 institutional investment managers to invest in our securities.

27 (Emphasis added.)

28 22. This statement was materially false and misleading because it did not  
state that the China Securities Regulatory Commission (“CSRC”) was a major  
regulatory body that could bring enforcement action against the Company due to  
its unlicensed activities in China. In addition, the Company did not state that its  
internal compliance system may prove ineffective due to its lack of licensing in  
China.

23. On April 28, 2021, the Company filed with the SEC its Annual Report on Form 20-F for the year ended December 31, 2020 (the “2020 Annual Report”). Attached to the 2020 Annual Report were signed certifications pursuant SOX signed by Defendants Wu and Zeng attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal controls over financial reporting, and the disclosure of all fraud.

24. The 2020 Annual Report contained the following disclosure about the Company’s unlicensed activities in China:

*We may not be able to obtain or maintain all necessary licenses, permits and approvals and to make all necessary registrations and filings for our activities in multiple jurisdictions and related to residents therein, especially in China or otherwise related to PRC residents.*

We operate in a heavily-regulated industry which requires various licenses, permits and approvals in different jurisdictions to conduct our businesses. *Our customers include people who live in jurisdictions where we do not have licenses issued by the local regulatory bodies. It is possible that authorities in those jurisdictions may take the position that we are required to obtain licenses or otherwise comply with laws and regulations which we believe are not required or applicable to our business activities.* If we fail to comply with the regulatory requirements, we may encounter the risk of being disqualified for our existing businesses or being rejected for renewal of our qualifications upon expiry by the regulatory authorities as well as other penalties, fines or sanctions. In addition, in respect of any new business that we may contemplate, we may not be able to obtain the relevant approvals for developing such new business if we fail to comply with the relevant regulations and regulatory requirements. As a result, we may fail to develop new business as planned, or we may fall behind our competitors in such businesses.

In addition, a significant portion of our technology research and development, management, supporting and other teams are based in China and a significant portion of our customers are Chinese speaking people including PRC citizens. Our PRC subsidiaries and VIEs work

1 closely with and provide significant supporting services for our  
2 trading platform outside of China as well as teams in New Zealand,  
3 Hong Kong, Singapore, the United States and Australia. In the  
4 opinion of our PRC legal counsel, our current supporting activities in  
5 China do not require a securities brokerage license or permit under  
6 the existing PRC securities laws and regulations. ***However, new laws  
7 and regulations in connection with our business activities may be  
8 adopted from time to time. There may be substantial uncertainties  
9 regarding the interpretation and application of current or any  
10 future PRC laws and regulations applicable to our business and that  
11 the PRC government or other governmental authorities may  
12 ultimately take a view that is inconsistent with the opinion of our  
13 PRC legal counsel. For instance, if certain of our activities in China  
14 were deemed by relevant regulators as provision of securities  
15 brokerage services, future brokerage services, securities or futures  
16 investment consulting services or stock option brokerage business,  
17 we might be subject to licensing requirements from the China  
18 Securities Regulatory Commission (“CSRC”).***

14 In July 2016, the CSRC posted an investor alert on its website warning  
15 investors that except for certain investment channels approved by the  
16 CSRC under the PRC laws, the CSRC has not approved any domestic  
17 or foreign institutions to provide services for domestic investors to  
18 participate in overseas securities trading. In September 2016, we  
19 received a rectification notice issued by the Beijing branch of the  
20 CSRC. Following such notice, we took certain rectification measures  
21 in order to comply with the requirements set forth therein, and we  
22 provided written responses to such authority promptly. We  
23 communicate with the Beijing branch of the CSRC from time to time  
24 to ensure our business follow their requirements. As of the date of this  
25 report, we have not received further written rectification requirements  
26 from the CSRC. For more details of the notice and our rectification  
27 measures, please see Item 4.B “Business Overview —PRC  
28 Regulations Relating to Securities and Futures Brokerage Business.”  
However, we cannot assure you that we will not be subject to further  
investigation or scrutiny from regulators even though we had not yet  
received any negative opinion or penalty for the activities of our PRC  
entities or services provided to PRC investors so far. If we are  
required to make further rectifications, our business and financial  
condition could be materially and adversely affected. If we fail to

1 receive required permits in a timely manner or at all, or obtain or  
2 renew any permits and certificates, we may be subject to fines,  
3 confiscation of the gains derived from our non-compliant activities,  
4 suspension of our non-compliant activities or claims for  
5 compensation of any economic loss suffered by our customers or  
6 other relevant parties.

(Emphasis added.)

7 25. This risk disclosure was materially false and misleading because,  
8 while the Company disclosed that it was not properly licensed in China, it  
9 materially misrepresented the level of risk of operating unlicensed in China. Rather  
10 than plainly indicating that its activities in China were illegal, and that its Hong  
11 Kong license did not carry over to China, it falsely indicated that there were legal  
12 ambiguities to the applicable Chinese laws. Further, by stating that it was merely  
13 “possible” that the Chinese government may take the position that the Company  
14 required proper licensing, and take regulatory action against it due to its lack of  
15 that license, the Company materially understated its regulatory risk.

16 26. The 2020 Annual Report also contained the following section  
17 regarding Chinese securities laws:

18 **PRC Regulations Relating to Securities and Futures Brokerage  
19 Business**

20 Under existing PRC securities laws and regulations, including  
21 Securities Law of the PRC, which was most recently amended on 28  
22 December, 2019 and the amended Securities Law of the PRC became  
23 effective on March 1, 2020, operating securities business in the PRC,  
24 *including among others, securities brokerage business, futures  
25 brokerage business, stock option brokerage business, and securities  
26 and futures investment consulting services, requires a securities  
27 brokerage license or certain other approvals from the Chinese  
28 Securities Regulatory Commission, or the CSRC. In addition, the  
Securities Law also stipulates that the offering and trading of  
securities outside the People’s Republic of China which disrupt the  
domestic market order of the People’s Republic of China and harm*



1 *the legitimate rights and interests of domestic investors shall be*  
2 *dealt with pursuant to the relevant provisions of this Securities Law,*  
3 *and legal liability shall be pursued.* This is the second major set of  
4 amendments of the Securities Law since the major revision in 2005.  
5 Three main changes have been widely reported and discussed,  
6 namely, (i) the reform of the registration-based IPO system, (ii) the  
7 imposition of more severe punishments for violations, and (iii) the  
8 enhancement of protection for retail investors. Apart from these  
9 revisions, this article is intended to briefly introduce the following  
10 five aspects that are highlighted for foreign institutional investors,  
11 namely, (i) scope of application, (ii) program trading, (iii) prohibition  
12 on account lending and borrowing, (iv) short swing profit, and (v)  
13 changes in regard to 5% shareholding.

14 *Failure to comply with such laws and regulations may result in*  
15 *penalties, including rectification requirements, confiscation of*  
16 *illegal proceeds, fines or even shutting down of business.* In relation  
17 to our business in the PRC, one of our PRC entities received a  
18 rectification notice issued by the Beijing branch of the CSRC in  
19 September 2016, which required us, among others, to refrain from  
20 providing support to unauthorized foreign service providers that  
21 conduct securities business in China. Following the notice, we took  
22 certain rectification measures, including among others, (i) removing  
23 links to, and access to account opening functions of the website and  
24 the APP previously developed by such PRC entity; (ii) deleting  
25 “Zhengquan” (securities in Chinese) and “Gupiao” (stocks in  
26 Chinese) from the name of the APP previously developed by such  
27 PRC entity; and (iii) timely submitting in writing to the Beijing branch  
28 of the CSRC to brief on the rectification measures made by such PRC  
entity. Afterwards, we had communicated with the Beijing branch of  
the CSRC for a few times and further adjusted our business in China  
to comply with PRC laws. We believe that we have taken necessary  
measures in response to such notice and as of the date of this report,  
we had not received any further inquiry or rectification requirement  
from the CSRC. However, we cannot assure you that the CSRC will  
take the same view as us and do not expect a formal notice from the  
CSRC to inform us whether our PRC entity had satisfied the  
requirements in the aforementioned notice. See Item 3.D “Risk  
Factors—Risks Related to Our Business and Industry—We may not  
be able to obtain or maintain all necessary licenses, permits and

1 approvals and to make all necessary registrations and filings for our  
2 activities in multiple jurisdictions and related to residents therein,  
3 especially in China or otherwise related to PRC residents.”

4 (Emphasis added.)

5 27. This disclosure was materially false and misleading because it  
6 discussed future penalties in general, hypothetical terms, rather than as being likely  
7 due to the Company’s failure to obtain the required Chinese license.

8 28. The 2020 Annual Report contained the following risk disclosure  
9 about the Company’s regulatory risk:

10 ***Non-compliance with applicable laws in certain jurisdictions could***  
11 ***harm our business, reputation, financial condition and results of***  
12 ***operations.***

13 The businesses of securities and other financial instruments are  
14 heavily regulated. ***Our brokerage business is subject to regulations***  
15 ***in the United States, Singapore, New Zealand, Australia and other***  
16 ***jurisdictions in which we offer our products and services. Major***  
17 ***regulatory bodies include, among others, in the United States, the***  
18 ***Financial Industry Regulatory Authority, or the FINRA, the U.S.***  
19 ***Securities and Exchange Commission, or the SEC, and the***  
20 ***Commodity Futures Trading Commission, or the CFTC; in***  
21 ***Singapore, the Monetary Authority of Singapore, or the MAS; in***  
22 ***New Zealand, the Financial Markets Authority New Zealand, or the***  
23 ***FMA, the New Zealand Stock Exchange, or the NZX, and the***  
24 ***Financial Service Providers Register, or the FSPR; in Australia, the***  
25 ***Australian Securities and Investments Commission, or ASIC.***  
26 Domestic and foreign stock exchanges, other self-regulatory  
27 organizations and state and foreign securities commissions can  
28 censure, fine, issue cease-and-desist orders, suspend or expel a broker  
and its officers or employees. ***Non-compliance with applicable laws***  
***or regulations could result in sanctions to be levied against us,***  
***including fines and censures, suspension or expulsion from a***  
***certain jurisdiction or market or the revocation or limitation of***



1 *licenses, which could adversely affect our reputation, prospects,*  
2 *revenues and earnings.*

3 Furthermore, securities brokerage firms are subject to numerous  
4 conflicts of interest or perceived conflicts of interest, over which  
5 federal and state regulators and self-regulatory organizations have  
6 increased their scrutiny. Addressing conflicts of interest is a complex  
7 and difficult undertaking. Our business and reputation could be  
8 harmed if we were to fail, or appear to fail, to address conflicts  
9 appropriately.

10 \* \* \*

11 Our ability to comply with all applicable laws and rules is largely  
12 dependent on our internal and third party vendors' system to ensure  
13 compliance, as well as our ability to attract and retain qualified  
14 compliance personnel. While we maintain systems and procedures  
15 designed to ensure that we comply with applicable laws and  
16 regulations, violations could still occur. Some legal and regulatory  
17 frameworks provide for the imposition of fines or penalties for non-  
18 compliance even though the non-compliance was inadvertent or  
19 unintentional and even though systems and procedures reasonably  
20 designed to prevent violations were in place at the time. There may  
21 be other negative consequences resulting from a finding of non-  
22 compliance, including restrictions on certain activities. Such a finding  
23 may also damage our reputation and our relationships with regulators  
24 and could restrict the ability of institutional investment managers to  
25 invest in our securities.

26 (Emphasis added.)

27 29. This statement was materially false and misleading because it did not  
28 state that the CSRC was a major regulatory body that could bring enforcement  
action against the Company due to its unlicensed activities in China. Further, it  
discussed potential penalties due to legal non-compliance in hypothetical terms  
even though it was in fact likely that the Company would face penalties due to its  
ongoing non-compliance with Chinese law.

1           30. Then, on April 28, 2022, the Company filed with the SEC its Annual  
2 Report on Form 20-F for the year ended December 31, 2021 (the “2021 Annual  
3 Report”). Attached to the 2021 Annual Report were signed certifications pursuant  
4 to SOX signed by Defendants Wu and Zeng attesting to the accuracy of financial  
5 reporting, the disclosure of any material changes to the Company’s internal  
6 controls over financial reporting, and the disclosure of all fraud.

7           31. The 2021 Annual Report contained the following disclosure about the  
8 Company’s unlicensed activities in China:

9           *We may not be able to obtain or maintain all necessary licenses,*  
10 *permits and approvals and to make all necessary registrations and*  
11 *filings for our activities in multiple jurisdictions and related to*  
12 *residents therein, especially in China or otherwise related to PRC*  
13 *residents.*

14           We operate in a heavily-regulated industry which requires various  
15 licenses, permits and approvals in different jurisdictions to conduct  
16 our businesses. Our customers include people who live in  
17 jurisdictions where we do not have licenses issued by the local  
18 regulatory bodies. *It is possible that authorities in those jurisdictions*  
19 *may take the position that we are required to obtain licenses or*  
20 *otherwise comply with laws and regulations which we believe are*  
21 *not required or applicable to our business activities. If we fail to*  
22 *comply with the regulatory requirements, we may encounter the risk*  
23 *of being disqualified for our existing businesses or being rejected*  
24 *for renewal of our qualifications upon expiry by the regulatory*  
25 *authorities as well as other penalties, fines or sanctions.* In addition,  
26 in respect of any new business that we may contemplate, we may not  
27 be able to obtain the relevant approvals for developing such new  
28 business if we fail to comply with the relevant regulations and  
regulatory requirements. As a result, we may fail to develop new  
business as planned, or we may fall behind our competitors in such  
businesses.

          In addition, a significant portion of our technology research and  
development, management, supporting and other teams are based in  
China and a significant portion of our customers are Chinese speaking

1 people including PRC citizens. Our PRC subsidiaries and VIEs work  
2 closely with and provide significant supporting services for our  
3 trading platform outside of China as well as teams in New Zealand,  
4 Hong Kong, Singapore, the United States and Australia. In the  
5 opinion of our PRC legal counsel, our current supporting activities in  
6 China do not require a securities brokerage license or permit under  
7 the existing PRC securities laws and regulations. However, new laws  
8 and regulations in connection with our business activities may be  
9 adopted from time to time. There may be substantial uncertainties  
10 regarding the interpretation and application of current or any future  
11 PRC laws and regulations applicable to our business and that the PRC  
12 government or other governmental authorities may ultimately take a  
13 view that is inconsistent with the opinion of our PRC legal counsel.  
14 For instance, if certain of our activities in China were deemed by  
15 relevant regulators as provision of securities brokerage services,  
16 future brokerage services, securities or futures investment consulting  
17 services or stock option brokerage business, we might be subject to  
18 licensing requirements from the China Securities Regulatory  
19 Commission (“CSRC”).

20 In July 2016, the CSRC posted an investor alert on its website warning  
21 investors that except for certain investment channels approved by the  
22 CSRC under the PRC laws, the CSRC has not approved any domestic  
23 or foreign institutions to provide services for domestic investors to  
24 participate in overseas securities trading. In September 2016, we  
25 received a rectification notice issued by the Beijing branch of the  
26 CSRC. Following such notice, we took certain rectification measures  
27 in order to comply with the requirements set forth therein, and we  
28 provided written responses to such authority promptly. We  
communicate with the Beijing branch of the CSRC from time to time  
to ensure our business follow their requirements. As of the date of this  
report, we have not received further written rectification requirements  
from the CSRC. For more details of the notice and our rectification  
measures, please see “Item 3. Key Information – Description of  
Certain PRC Regulations Affecting Our Business.” However, we  
cannot assure you that we will not be subject to further investigation  
or scrutiny from regulators even though we had not yet received any  
negative opinion or penalty for the activities of our PRC entities or  
services provided to PRC investors so far. If we are required to make  
further rectifications, our business and financial condition could be

1 materially and adversely affected. If we fail to receive required  
2 permits in a timely manner or at all, or obtain or renew any permits  
3 and certificates, we may be subject to fines, confiscation of the gains  
4 derived from our non-compliant activities, suspension of our non-  
compliant activities or claims for compensation of any economic loss  
suffered by our customers or other relevant parties.

5 (Emphasis added.)

6 32. This risk disclosure was materially false and misleading because,  
7 while the Company disclosed that it was not properly licensed in China, it  
8 materially misrepresented the level of risk of operating unlicensed in China. Rather  
9 than plainly indicating that its activities in China were illegal, and that its Hong  
10 Kong license did not carry over to China, it falsely indicated there were legal  
11 ambiguities to the applicable Chinese laws. Further, by stating that it was merely  
12 “possible” that the Chinese government may take the position that the Company  
13 required proper licensing, and take regulatory action against it due to its lack of  
14 that license, the Company materially understated its regulatory risk.

15 33. In addition, as discussed below, by the time the 2021 Annual Report  
16 was filed with the SEC, in April 2022, the head of the financial stability department  
17 of the People’s Bank of China, China’s central bank, had stated publicly that  
18 offering securities-brokerage services to mainland Chinese investors without  
19 obtaining the required licenses was “illegal financial activity.”

20 34. The 2021 Annual Report contained, in pertinent part, the following  
21 disclosure about the likelihood of Chinese government intervention:

22 *The PRC government may intervene or influence our operations at*  
23 *any time, and it has recently indicated an intent to exert more*  
24 *oversight and control over overseas securities offerings and other*  
25 *capital markets activities and foreign investment in China-based*  
26 *companies.*

27 *As a result of its significant oversight authority into businesses*  
28 *operating in the PRC, the PRC government may intervene or*

1 *influence our operations at any time.* Uncertainties regarding the  
2 enforcement of laws and the fact that rules and regulations in the PRC  
3 can change quickly with little advance notice, along with the risk that  
4 the PRC government may intervene or influence our operations at any  
5 time, could have a material adverse effect on our business, financial  
6 position, results of operations, access to the capital markets, and the  
7 market value of our ADSs.

8 Furthermore, on July 6, 2021, the General Office of the Communist  
9 Party of China Central Committee and the General Office of the State  
10 Council issued *Several Opinions Concerning Lawfully and Strictly*  
11 *Cracking Down Illegal Securities Activities. These opinions call for*  
12 *strengthened regulation over illegal securities activities and*  
13 *supervision on overseas listings by China-based companies like us,*  
14 and propose to take effective measures, such as promoting the  
15 construction of relevant regulatory systems to deal with the risks and  
16 incidents faced by China-based overseas-listed companies. As a  
17 follow-up, on December 24, 2021, the State Council issued a draft of  
18 the Provisions of the State Council on the Administration of Overseas  
19 Securities Offering and Listing by Domestic Companies, or the Draft  
20 Provisions, and the CSRC issued a draft of Administration Measures  
21 for the Filing of Overseas Securities Offering and Listing by  
22 Domestic Companies, or the Draft Administration Measures, for  
23 public comments. As of the date of this annual report, the period for  
24 public comment on these draft regulations has ended while no official  
25 rules are issued. There are uncertainties as to whether the Draft  
26 Provisions and the Draft Administration Measures would be further  
27 amended, revised or updated. Substantial uncertainties exist with  
28 respect to the enactment timetable and final content of the Draft  
Provisions and the Draft Administration Measures. Additional  
oversight or regulation of this nature could have a material adverse  
effect on our ability to offer or continue to offer securities to investors  
and could have a material adverse effect on the market price of our  
ADSs. For more details, please refer to “Description of Certain PRC  
Regulations Affecting Our Business - Regulations Relating to  
Overseas Offerings”.

(Emphasis added.)

1           35. This statement was materially false and misleading because it did not  
2 state that it was at an increased risk of regulatory enforcement as a proximate result  
3 of its failure to obtain the proper Chinese licensing. It also did not disclose that, by  
4 the time the 2021 Annual Report was filed, the head of the financial stability  
5 department of the People's Bank of China had referred to UP Fintech's unlicensed  
6 activities as "illegal financial behavior".

7           36. The 2021 Annual Report contained the following section regarding  
8 Chinese securities laws:

9           **PRC Regulations Relating to Securities and Futures Brokerage**  
10           **Business**

11           Under existing PRC securities laws and regulations, including  
12 Securities Law of the PRC, which was most recently amended on 28  
13 December, 2019 and the amended Securities Law of the PRC became  
14 effective on March 1, 2020, operating securities business in the PRC,  
15 including among others, securities brokerage business, futures  
16 brokerage business, stock option brokerage business, and securities  
17 and futures investment consulting services, requires a securities  
18 brokerage license or certain other approvals from the Chinese  
19 Securities Regulatory Commission, or the CSRC. *In addition, the*  
20 *Securities Law also stipulates that the offering and trading of*  
21 *securities outside the People's Republic of China which disrupt the*  
22 *domestic market order of the People's Republic of China and harm*  
23 *the legitimate rights and interests of domestic investors shall be*  
24 *dealt with pursuant to the relevant provisions of this Securities Law,*  
25 *and legal liability shall be pursued.* This is the second major set of  
26 amendments of the Securities Law since the major revision in 2005.  
27 Three main changes have been widely reported and discussed,  
28 namely, (i) the reform of the registration-based IPO system, (ii) the  
imposition of more severe punishments for violations, and (iii) the  
enhancement of protection for retail investors.

Failure to comply with such laws and regulations may result in  
penalties, including rectification requirements, confiscation of illegal  
proceeds, fines or even shutting down of business. In relation to our



1 business in the PRC, one of our PRC entities received a rectification  
2 notice issued by the Beijing branch of the CSRC in September 2016,  
3 which required us, among others, to refrain from providing support to  
4 unauthorized foreign service providers that conduct securities  
5 business in China. Following the notice, we took certain rectification  
6 measures, including among others, (i) removing links to, and access  
7 to account opening functions of the website and the APP previously  
8 developed by such PRC entity; (ii) deleting “Zhengquan” (securities  
9 in Chinese) and “Gupiao” (stocks in Chinese) from the name of the  
10 APP previously developed by such PRC entity; and (iii) timely  
11 submitting in writing to the Beijing branch of the CSRC to brief on  
12 the rectification measures made by such PRC entity. Afterwards, we  
13 had communicated with the Beijing branch of the CSRC for a few  
14 times and further adjusted our business in China to comply with PRC  
15 laws. We believe that we have taken necessary measures in response  
16 to such notice and as of the date of this report, we had not received  
17 any further inquiry or rectification requirement from the CSRC.  
18 However, we cannot assure you that the CSRC will take the same  
19 view as us and do not expect a formal notice from the CSRC to inform  
20 us whether our PRC entity had satisfied the requirements in the  
21 aforementioned notice. See Item 3.D “Risk Factors-Risks Related to  
22 Our Business and Industry-We may not be able to obtain or maintain  
23 all necessary licenses, permits and approvals and to make all  
24 necessary registrations and filings for our activities in multiple  
25 jurisdictions and related to residents therein, especially in China or  
26 otherwise related to PRC residents.”

27 (Emphasis added.)

28 37. This disclosure was materially false and misleading because it  
discussed future penalties in general, hypothetical terms, rather than as likely due  
to the Company’s failure to obtain the required Chinese license, and the head of  
the financial stability department of the People’s Bank of China’s characterization  
of operating without a license as “illegal financial behavior.”

38. The 2021 Annual Report contained the following risk disclosure  
about the Company’s regulatory risk:



***Non-compliance with applicable laws in certain jurisdictions could harm our business, reputation, financial condition and results of operations.***

The businesses of securities and other financial instruments are heavily regulated. Our brokerage business is subject to regulations in the United States, Singapore, New Zealand, Australia, Hong Kong and other jurisdictions in which we offer our products and services. *Major regulatory bodies include, among others, in the United States, the Financial Industry Regulatory Authority, or the FINRA, the U.S. Securities and Exchange Commission, or the SEC, and the Commodity Futures Trading Commission, or the CFTC; in Singapore, the Monetary Authority of Singapore, or the MAS; in New Zealand, the Financial Markets Authority New Zealand, or the FMA, and the Financial Service Providers Register, or the FSPR; in Australia, the Australian Securities and Investments Commission, or ASIC; in Hong Kong, the Securities and Futures Commission or SFC.* Domestic and foreign stock exchanges, other self-regulatory organizations and state and foreign securities commissions can censure, fine, issue cease-and-desist orders, suspend or expel a broker and its officers or employees. Non-compliance with applicable laws or regulations could result in sanctions to be levied against us, including fines and censures, suspension or expulsion from a certain jurisdiction or market or the revocation or limitation of licenses, which could adversely affect our reputation, prospects, revenues and earnings.

Furthermore, securities brokerage firms are subject to numerous conflicts of interest or perceived conflicts of interest, over which federal and state regulators and self-regulatory organizations have increased their scrutiny. Addressing conflicts of interest is a complex and difficult undertaking. Our business and reputation could be harmed if we were to fail, or appear to fail, to address conflicts appropriately.

\* \* \*

Our ability to comply with all applicable laws and rules is largely dependent on our internal and third party vendors' system to ensure compliance, as well as our ability to attract and retain qualified

1 compliance personnel. ***While we maintain systems and procedures***  
2 ***designed to ensure that we comply with applicable laws and***  
3 ***regulations, violations could still occur.*** Some legal and regulatory  
4 frameworks provide for the imposition of fines or penalties for non-  
5 compliance even though the non-compliance was inadvertent or  
6 unintentional and even though systems and procedures reasonably  
7 designed to prevent violations were in place at the time. There may  
8 be other negative consequences resulting from a finding of non-  
9 compliance, including restrictions on certain activities. Such a finding  
10 may also damage our reputation and our relationships with regulators  
11 and could restrict the ability of institutional investment managers to  
12 invest in our securities.

13 (Emphasis added.)

14 39. This statement was materially false and misleading because it did not  
15 state that the CSRC was a major regulatory body that could bring enforcement  
16 action against the Company as a result of its unlicensed activities in China. In  
17 addition, penalties were discussed in hypothetical terms. In reality, by the time the  
18 2021 Annual Report was filed, UP Fintech's unlicensed activities in China had  
19 been characterized as "illegal financial activity" by a high level government figure.

20 40. Then, on April 26, 2023, the Company filed with the SEC its Annual  
21 Report on Form 20-F for the year ended December 31, 2022 (the "2022 Annual  
22 Report"). Attached to the 2022 Annual Report were signed certifications pursuant  
23 to SOX signed by Defendants Wu and Zeng attesting to the accuracy of financial  
24 reporting, the disclosure of any material changes to the Company's internal  
25 controls over financial reporting, and the disclosure of all fraud.

26 41. The 2022 Annual Report contained the following risk disclosure  
27 regarding the Company's unlicensed operations in China:

28 ***We may not be able to obtain or maintain all necessary licenses,***  
***permits and approvals and to make all necessary registrations and***  
***filings for our activities in multiple jurisdictions and related to***  
***residents therein, especially in China or otherwise related to PRC***  
***residents.***

1 We operate in a heavily-regulated industry which requires various  
2 licenses, permits and approvals in different jurisdictions to conduct  
3 our businesses. Our customers include people who live in  
4 jurisdictions where we do not have licenses issued by the local  
5 regulatory bodies. ***It is possible that authorities in those jurisdictions***  
6 ***may take the position that we are required to obtain licenses or***  
7 ***otherwise comply with laws and regulations which we believe are***  
8 ***not required or applicable to our business activities. If we fail to***  
9 ***comply with the regulatory requirements, we may encounter the risk***  
10 ***of being disqualified for our existing businesses or being rejected***  
11 ***for renewal of our qualifications upon expiry by the regulatory***  
12 ***authorities as well as other penalties, fines or sanctions.*** In addition,  
13 in respect of any new business that we may contemplate, we may not  
14 be able to obtain the relevant approvals for developing such new  
15 business if we fail to comply with the relevant regulations and  
16 regulatory requirements. As a result, we may fail to develop new  
17 business as planned, or we may fall behind our competitors in such  
18 businesses.

15 In addition, a significant portion of our technology research and  
16 development, management, supporting and other teams are based in  
17 China and a significant portion of our customers are Chinese speaking  
18 people including PRC citizens. Our PRC subsidiaries and the VIEs  
19 work closely with and provide significant supporting services for our  
20 trading platform outside of China as well as teams in New Zealand,  
21 Hong Kong, Singapore, the United States and Australia.

20 In July 2016, the CSRC posted an investor alert on its website warning  
21 investors that except for certain investment channels approved by the  
22 CSRC under the PRC laws, the CSRC has not approved any domestic  
23 or foreign institutions to provide services for domestic investors to  
24 participate in overseas securities trading. In September 2016, we  
25 received a rectification notice issued by the Beijing branch of the  
26 CSRC. Following such notice, we took certain rectification measures  
27 in order to comply with the requirements set forth therein, and we  
28 provided written responses to such authority promptly. We  
communicate with the Beijing branch of the CSRC from time to time  
to ensure our business follow their requirements.

1 On December 30, 2022, the CSRC issued the CSRC 1230 Notice,  
2 *stating that we had been carried out cross-border securities business*  
3 *for Chinese mainland investors without approval of the CSRC, and*  
4 *such activities constitute illegal operation of securities business*  
5 *under the Securities Law of the PRC.* The CSRC 1230 Notice set out  
6 two principal rectification requirements. (i) We should stop all  
7 incremental illegal operations in Chinese mainland, such as soliciting  
8 and developing any new Chinese mainland customers or opening new  
9 securities accounts for them. (ii) We should properly handle the  
10 existing accounts held by Chinese mainland investors by allowing  
11 them to continue their transactions through such accounts. However,  
12 we are strictly prohibited from accepting any incremental funds that  
13 violate PRC foreign exchange regulations to such existing accounts.  
14 Furthermore, on February 15, 2023, the CSRC published its official  
15 reply in response to the public attention on the CSRC 1230 Notice,  
16 emphasizing its core requirements of “prohibiting incremental illegal  
17 business effectively and solving existing issues properly” in order to  
18 regulate our business operations in Chinese mainland. We have been  
19 actively and may continue to be in cooperation with CSRC to satisfy  
20 1230 Notice and meet the rectification requirements set out under  
21 CSRC 1230 Notice. *Besides, we cannot rule out the possibility that*  
22 *we may take the initiative to adopt applicable rectification measures*  
23 *in the future to further curb incremental Chinese mainland*  
24 *domestic users and meet the requirements of the CSRC.*

18 *However, if the CSRC is not satisfied with our rectification*  
19 *measures or the CSRC imposes other further regulatory actions or*  
20 *penalties on us, our business and results of operations may be*  
21 *materially and adversely affected.* Furthermore, new laws and  
22 regulations in connection with our business activities may be adopted  
23 from time to time. While we will make best efforts to continue to  
24 fulfill the requirements under any applicable future PRC laws and  
25 regulations, there may be substantial uncertainties regarding the  
26 interpretation and application of current or any future PRC laws and  
27 regulations applicable to our business and the PRC government or  
28 other governmental authorities may ultimately take a view that is  
inconsistent with our opinion.

(Emphasis added.)

42. This risk disclosure was materially false and misleading because, while the Company disclosed that it was not properly licensed in China and that certain enforcement actions had occurred over 2022 and 2023, it materially misrepresented the ongoing level of risk of operating unlicensed in China. Rather than plainly indicating that its activities in China were illegal, and that its Hong Kong license did not carry over to China, it falsely indicated that there were legal ambiguities to the applicable Chinese laws. Further, by stating that it was merely “possible” that the Chinese government may take the position that the Company required proper licensing, and take regulatory action against it due to its lack of that license, the Company materially understated its regulatory risk.

43. The 2022 Annual Report contained the following section regarding Chinese securities laws:

***PRC Regulations Relating to Securities and Futures Brokerage Business***

Under existing PRC securities laws and regulations, including Securities Law of the PRC, which was most recently amended on 28 December, 2019 and the amended Securities Law of the PRC became effective on March 1, 2020, operating securities business in the PRC, ***including among others, securities brokerage business, futures brokerage business, stock option brokerage business, and securities and futures investment consulting services, requires a securities brokerage license or certain other approvals from the Chinese Securities Regulatory Commission, or the CSRC. In addition, the Securities Law also stipulates that the offering and trading of securities outside the People’s Republic of China which disrupt the domestic market order of the People’s Republic of China and harm the legitimate rights and interests of domestic investors shall be dealt with pursuant to the relevant provisions of this Securities Law, and legal liability shall be pursued.*** This is the second major set of amendments of the Securities Law since the major revision in 2005. Three main changes have been widely reported and discussed, namely, (i) the reform of the registration-based IPO system, (ii) the imposition of more severe punishments for violations, and (iii) the enhancement of protection for retail investors.



1 On January 13, 2023, the CSRC promulgated the Measures for the  
2 Administration of the Securities Brokerage Business, which became  
3 effective on February 28, 2023. Under the Measures for the  
4 Administration of the Securities Brokerage Business, an overseas  
5 securities business entity that conducts securities business or  
6 establishes a representative office in Chinese mainland shall obtain  
7 the approval of the securities regulatory authority of the State Council.  
8 The specific measures shall be formulated by the securities regulatory  
9 agency of the State Council and submitted to the State Council for  
10 approval. An overseas securities business entity violating Article 95  
11 of the Regulations on Supervision and Administration of Securities  
12 Firms, directly or through its affiliates conducting activities such as  
13 opening account, marketing and other activities of overseas securities  
14 trading services for domestic investors without authorization, shall be  
15 penalized in accordance with the Securities Law of the PRC.

16 ***Failure to comply with such laws and regulations may result in***  
17 ***penalties, including rectification requirements, confiscation of***  
18 ***illegal proceeds, fines or even shutting down of business.*** In relation  
19 to our business in the PRC, one of our PRC entities received a  
20 rectification notice issued by the Beijing branch of the CSRC in  
21 September 2016, which required us, among others, to refrain from  
22 providing support to unauthorized foreign service providers that  
23 conduct securities business in China. Following the notice, we took  
24 certain rectification measures, including among others, (i) removing  
25 links to, and access to account opening functions of the website and  
26 the APP previously developed by such PRC entity; (ii) deleting  
27 “Zhengquan” (securities in Chinese) and “Gupiao” (stocks in  
28 Chinese) from the name of the APP previously developed by such  
PRC entity; and (iii) timely submitting in writing to the Beijing branch  
of the CSRC to brief on the rectification measures made by such PRC  
entity. Afterwards, we had communicated with the Beijing branch of  
the CSRC for a few times and further adjusted our business in China  
to comply with PRC laws. We believe that we have taken necessary  
measures in response to the above notice.

However, on December 30, 2022, the CSRC issued another notice, or  
CSRC 1230 Notice, stating that we had carried out cross-border  
securities business for Chinese mainland investors without approval

1 from the CSRC, and such activities constitute illegal operation of  
2 securities business under the Securities Law of the PRC. ***The CSRC***  
3 ***1230 Notice set out two principal rectification requirements: (i) we***  
4 ***should stop all incremental illegal operations in Chinese mainland,***  
5 ***such as soliciting and developing any new Chinese mainland***  
6 ***customers or opening new securities accounts for them; and (ii) we***  
7 ***should properly handle the existing accounts held by Chinese***  
8 ***mainland investors by allowing them to continue their transactions***  
9 ***through such accounts.*** However, we are strictly prohibited from  
10 accepting any incremental funds that violate PRC foreign exchange  
11 regulations to such existing accounts. Furthermore, on February 15,  
12 2023, the CSRC published its official reply in response to the public  
13 attention on the CSRC 1230 Notice, emphasizing its core  
14 requirements of “prohibiting incremental illegal business effectively  
15 and solving existing issues properly” in relation to its supervision and  
16 regulation of our business operations in Chinese mainland. We have  
17 been actively and will use best efforts to continue to be in cooperation  
18 with CSRC to satisfy 1230 Notice and meet the rectification  
19 requirements set out under CSRC 1230 Notice.

20 ***However, we cannot assure you that we will not be subject to further***  
21 ***investigation or scrutiny or be imposed any additional requirements***  
22 ***in the future.*** Besides, if the CSRC is not satisfied with our  
23 rectification measures or the CSRC imposes other further regulatory  
24 actions or penalties on us, our business and results of operations may  
25 be materially and adversely affected. See Item 3.D “Risk Factors-  
26 Risks Related to Our Business and Industry-We may not be able to  
27 obtain or maintain all necessary licenses, permits and approvals and  
28 to make all necessary registrations and filings for our activities in  
multiple jurisdictions and related to residents therein, especially in  
China or otherwise related to PRC residents.”

(Emphasis added).

44. This was materially false and misleading because it understated the  
likelihood of substantial penalties up to and including ceasing most business  
activities in China as a result of its multi-year failure to obtain the applicable



1 permits, and a high level government figure's 2021 characterization of the  
2 Company's unlicensed Chinese business activities as "illegal financial activity."

3 45. The 2022 Annual Report contained, in pertinent part, the following  
4 disclosure about the likelihood of Chinese government intervention:

5 *The PRC government may intervene or influence our operations at*  
6 *any time, and it has recently indicated an intent to exert more*  
7 *oversight and control over overseas securities offerings and other*  
8 *capital markets activities and foreign investment in China-based*  
9 *companies.*

10 As a result of its significant oversight authority into businesses  
11 operating in the PRC, *the PRC government may intervene or*  
12 *influence our operations at any time. Uncertainties regarding the*  
13 *enforcement of laws and the fact that rules and regulations in the*  
14 *PRC can change quickly with little advance notice, along with the*  
15 *risk that the PRC government may intervene or influence our*  
16 *operations at any time, could have a material adverse effect on our*  
17 *business, financial position, results of operations, access to the*  
18 *capital markets, and the market value of our ADSs.*

19 Furthermore, on July 6, 2021, the General Office of the Communist  
20 Party of China Central Committee and the General Office of the State  
21 Council issued Several Opinions Concerning Lawfully and Strictly  
22 Cracking Down Illegal Securities Activities. *These opinions call for*  
23 *strengthened regulation over illegal securities activities and*  
24 *supervision on overseas listings by China-based companies like us,*  
25 *and propose to take effective measures, such as promoting the*  
26 *construction of relevant regulatory systems to deal with the risks*  
27 *and incidents faced by China-based overseas-listed companies.* On  
28 February 17, 2023, the CSRC promulgated Trial Administrative  
Measures of the Overseas Securities Offering and Listing by  
Domestic Companies, or the Overseas Listing Trial Measures and  
relevant five guidelines, which became effective on March 31, 2023.

The Overseas Listing Trial Measures comprehensively improve and  
reform the existing regulatory regime for overseas offering and listing  
of Chinese mainland domestic companies' securities and regulates

1 both direct and indirect overseas offering and listing of Chinese  
2 mainland domestic companies' securities by adopting a filing-based  
3 regulatory regime.

4 On the same day, the CSRC also held a press conference for the  
5 release of the Overseas Listing Trial Measures and issued the Notice  
6 on Administration for the Filing of Overseas Offering and Listing by  
7 Domestic Companies, which, among others, clarifies that (i) prior to  
8 the effective date of the Overseas Listing Trial Measures, Chinese  
9 mainland domestic companies that have already completed overseas  
10 listing shall be regarded as "existing companies", which are not  
11 required to fulfill filing procedure immediately but shall be required  
12 to complete the filing if such existing companies conduct refinancing  
13 in the future; and (ii) the CSRC will solicit opinions from relevant  
14 regulatory authorities and complete the filing of the  
15 overseas listing of companies with contractual arrangements which  
16 duly meet the compliance requirements, and support the development  
17 and growth of these companies by enabling them to utilize two  
18 markets and two kinds of resources.

19 However, since the Overseas Listing Trial Measures was newly  
20 promulgated, the interpretation, application and enforcement of  
21 Overseas Listing Trial Measures remain unclear. Besides, there are  
22 still uncertainties as to whether the Overseas Listing Trial Measures  
23 and relevant five guidelines would be further amended, revised or  
24 updated. Given the substantial uncertainties surrounding the latest  
25 CSRC filing requirements at this stage, we cannot assure you that we  
26 will be able to complete the filings and fully comply with the relevant  
27 new rules on a timely basis, if at all. Additional oversight or regulation  
28 of this nature could have a material adverse effect on our ability to  
offer or continue to offer securities to investors and could have a  
material adverse effect on the market price of our ADSs. For more  
details, please refer to "Description of Certain PRC Regulations  
Affecting Our Business - Regulations Relating to Overseas  
Offerings".

(Emphasis added.)

1           46. This statement was materially false and misleading because it did not  
2 state that it was at an increased risk of regulatory enforcement as a proximate result  
3 of its failure to obtain the proper Chinese licensing. It also did not disclose that, the  
4 prior year, the head of the financial stability department of the People's Bank of  
5 China had referred to UP Fintech's unlicensed activities as "illegal financial  
6 behavior", significantly raising the likelihood of regulatory enforcement.

7           47. The 2022 Annual Report contained the following risk disclosure  
8 about the Company's regulatory risk:

9           ***Non-compliance with applicable laws in the jurisdictions in which***  
10          ***we operate could harm our business, reputation, financial condition***  
11          ***and results of operations.***

12          The businesses of securities and other financial instruments are  
13 heavily regulated. ***Our brokerage business is subject to regulations***  
14 ***in the United States, Singapore, New Zealand, Australia, Hong***  
15 ***Kong and other jurisdictions in which we offer our products and***  
16 ***services. Major regulatory bodies include, among others, in the***  
17 ***United States, the Financial Industry Regulatory Authority, or the***  
18 ***FINRA, the U.S. Securities and Exchange Commission, or the SEC,***  
19 ***and the Commodity Futures Trading Commission, or the CFTC; in***  
20 ***Singapore, the Monetary Authority of Singapore, or the MAS; in***  
21 ***New Zealand, the Financial Markets Authority New Zealand, or the***  
22 ***FMA, and the Financial Service Providers Register, or the FSPR;***  
23 ***in Australia, the Australian Securities and Investments***  
24 ***Commission, or ASIC; in Hong Kong, the Securities and Futures***  
25 ***Commission or SFC.*** Domestic and foreign stock exchanges, other  
26 self-regulatory organizations and state and foreign securities  
27 commissions can censure, fine, issue cease-and-desist orders, suspend  
28 or expel a broker and its officers or employees. ***Non-compliance with***  
***applicable laws or regulations could result in sanctions to be levied***  
***against us, including fines and censures, suspension or expulsion***  
***from a certain jurisdiction or market or the revocation or limitation***  
***of licenses, which could adversely affect our reputation, prospects,***  
***revenues and earnings.***

1 *Furthermore, securities brokerage firms are subject to numerous*  
2 *conflicts of interest or perceived conflicts of interest, over which*  
3 *federal and state regulators and self-regulatory organizations have*  
4 *increased their scrutiny.* Addressing conflicts of interest is a complex  
5 and difficult undertaking. Our business and reputation could be  
6 harmed if we were to fail, or appear to fail, to address conflicts  
7 appropriately.

8 \* \* \*

9 Our ability to comply with all applicable laws and rules is largely dependent  
10 on our internal and third party vendors' system to ensure compliance, as well  
11 as our ability to attract and retain qualified compliance personnel. While we  
12 maintain systems and procedures designed to ensure that we comply  
13 with applicable laws and regulations, violations could still occur.  
14 Some legal and regulatory frameworks provide for the imposition of  
15 fines or penalties for non-compliance even though the non-  
16 compliance was inadvertent or unintentional and even though systems  
17 and procedures reasonably designed to prevent violations were in  
18 place at the time. There may be other negative consequences resulting  
19 from a finding of non-compliance, including restrictions on certain  
20 activities. Such a finding may also damage our reputation and our  
21 relationships with regulators and could restrict the ability of  
22 institutional investment managers to invest in our securities.

23 (Emphasis added.)

24 48. This statement was materially false and misleading because it did not  
25 state that the CSRC was a major regulatory body that could bring enforcement  
26 action against the Company as a result of its unlicensed activities in China. In  
27 addition, penalties were discussed in hypothetical terms even though UP Fintech's  
28 unlicensed activities in China had been characterized as "illegal financial activity"  
by a high level government figure.

49. The statements contained in ¶¶ 16-17, 19, 21, 23, 24, 26, 28, 30, 31,  
34, 36, 38, 40, 41, 43, 45, and 47 were materially false and/or misleading because  
they misrepresented and failed to disclose the following adverse facts pertaining to

1 the Company's business, operations and prospects, which were known to  
2 Defendants or recklessly disregarded by them. Specifically, Defendants made false  
3 and/or misleading statements and/or failed to disclose that: (1) UP Fintech's  
4 business was, quite simply, illegal as it related to operations in China as a result of  
5 its failure to obtain the proper licenses; (2) it did not fully disclose to investors that  
6 it was engaging in unlawful activity and instead characterized the applicable  
7 Chinese laws as ambiguous; (3) the foregoing subjected the Company to a  
8 heightened risk of regulatory enforcement; and (4) as a result, Defendants'  
9 statements about its business, operations, and prospects, were materially false and  
10 misleading and/or lacked a reasonable basis at all relevant times.

11 50. On Thursday, October 28, 2021, The Wall Street Journal released an  
12 article entitled "Chinese Online Broker Shares Dropped After Criticism From  
13 Central Bank", which discussed a speech given by Sun Tianqi, the head of the  
14 financial stability department of the People's Bank of China, and which had been  
15 publicized that day. The article stated, in pertinent part:

16  
17 *A senior official at China's central bank said cross-border online*  
18 *brokerages operating in mainland China were acting illegally,*  
19 *knocking shares in [. . .] Up Fintech Holding Ltd.*

20 *The criticism heaps new pressure on the [firm] after [it was] called*  
21 *out earlier this month by Chinese state media, which said [it] would*  
22 *face challenges due to the country's tough new data-privacy laws.*  
23 Chinese regulators have cracked down on various business sectors this  
24 year, including property development, after-school tutoring and parts  
25 of the technology industry.

26 *[. . .] Up Fintech, which is known in Asia as Tiger Brokers, ha[s]*  
27 *thrived partly by enabling customers in mainland China to buy and*  
28 *sell U.S. and Hong Kong-listed stocks.*

Sun Tianqi, the head of the financial stability department of the  
People's Bank of China, *told a forum in Shanghai that offering*

1 *securities-brokerage services to mainland Chinese investors without*  
2 *obtaining the required licenses was “illegal financial activity.”*

3 *“Finance licenses have national boundaries,” Mr. Sun said.*

4 *His speech was delivered on Sunday and was picked up by numerous*  
5 *media outlets on Thursday, after a transcript was released by*  
6 *organizers a day earlier.*

7 The central banker didn’t name the two companies but identified them  
8 by referring to recent drops in their share prices.

9 Shares [of] Up Fintech fell sharply on Thursday. [. . .] Up Fintech  
10 tumbled 17% to \$7.34. [. . .]

11 *China operates capital controls but Chinese nationals are able to*  
12 *open bank accounts in Hong Kong, and can move up to \$50,000 a*  
13 *year offshore. [. . .]*

\* \* \*

14 “The top priority of our firm is compliance and adherence to laws and  
15 regulations,” Up Fintech said in a statement. “We actively maintain  
16 communication with regulatory authorities to satisfy their requests and  
17 meet the obligations enumerated to our firm.”

18 Separately, China’s state-owned Securities Times reported on Oct. 15  
19 that China’s securities regulator is working on tighter regulation of  
20 onshore securities-brokerage businesses.

21 (Emphasis added).

22 51. On this news, the price of UP Fintech ADSs declined by \$1.51 per  
23 ADS, or 17.06%, on extremely high trading volume, to close at \$7.34 on October  
24 28, 2021. The next day it declined a further \$0.87 per ADS, or 11.85%, to close at  
25 \$6.47.

26 52. On December 17, 2021, after market hours, Reuters released an article  
27 entitled “EXCLUSIVE Next in China Regulatory crackdown: online brokers-  
28 sources”. The article stated, in pertinent part:



1 *Chinese officials are planning to ban online brokerages such as [ . . ] UP Fintech Holding Ltd from offering offshore trading services*  
2 *to mainland clients, the latest development in a broad regulatory*  
3 *crackdown that has roiled a wide range of sectors over the past*  
4 *year.*

5 The Nasdaq-listed Chinese [firm is one] of the biggest players in the  
6 sector and a ban would block millions of retail investors in mainland  
7 China from trading securities easily in markets such as the United  
8 States and Hong Kong. *Concerns over data security and capital*  
9 *outflows are driving the potential ban, sources said.*

10 The looming restrictions come on the heels of a clampdown that has  
11 affected a broad scope of companies over the past year, in sectors  
12 ranging from technology to education and real estate.

13 *Firms affected by the latest crackdown are likely to be notified of a*  
14 *ban in "the coming months", said one of four sources who spoke*  
15 *with Reuters.* All sources declined to be identified as they were not  
16 authorised to speak to media.

17 *[ . . . ] UP Fintech [is] registered with the Securities and Futures*  
18 *Commission in Hong Kong but that permit does not extend to the*  
19 *mainland. No mainland licence exists for online brokerages*  
20 *specialising in cross-border trades, the sources said.*

21 \* \* \*

22 UP Fintech, which is valued at \$737 million, *said it had been*  
23 *following rules laid out by global regulators and would comply with*  
24 *and implement any new rules.*

25 [. . .] UP Fintech's [shares] were down around 2%. [The] [company's]  
26 shares had fallen in Friday's premarket trading, after the Reuters report.

27 The China Securities Regulatory Commission (CSRC), the State  
28 Administration of Foreign Exchange (SAFE) and the central bank did  
not immediately respond to a request for comment.



1 *Chinese authorities raised concern about "cross-border" brokerages*  
2 *in October, exacerbating declines in [UP Fintech shares] which have*  
3 *plunged more than 80% since this year's peak in February.*

4 \* \* \*

5 Apart from services offered by brokerages like [. . .] UP Fintech,  
6 mainland investors can only invest in securities outside China through  
7 so-called qualified domestic institutional investor (QDII) schemes as  
8 well as connect schemes that link the Hong Kong and mainland stock  
9 markets. Both schemes are tightly regulated.

10 (Emphasis added).

11 53. On this news, the price of UP Fintech ADSs declined by \$0.13 per  
12 ADS, or 2.62%, compared to the prior day's closing price, to close at \$4.82.

13 54. On December 30, 2022, before market hours, *Reuters* published an  
14 article entitled "China regulator asks Futu and UP Fintech to Stop Soliciting  
15 Mainland Clients." The article stated, in pertinent part, the following:

16 China's securities regulator said on Friday that online [brokerage] [. .  
17 .] UP Fintech Holding *[has] conducted unlawful securities*  
18 *businesses, and will be banned from opening new accounts from*  
19 *mainland Chinese investors, sending their shares tumbling.*

20 The long-awaited official penalty comes more than a year after  
21 Chinese official media warned that New York-listed [. . .] UP Fintech,  
22 which do not have licences in China, face regulatory risks.

23 Reuters reported earlier that Chinese officials were planning to ban  
24 online brokerages such as [. . .] UP Fintech Holding Ltd from offering  
25 offshore trading services to mainland clients.

26 \* \* \*

27 [. . .] UP Fintech stock tumbled 32.3% in premarket trade.  
28 *[. . .] UP Fintech Hong Kong ha[s] conducted cross-border*  
*securities businesses involving domestic investors without*  
*regulatory consent, contravening Chinese laws,* the China Securities  
Regulatory Commission (CSRC) said in a statement.

1        ***The CSRC will ask the brokerages to take corrective measures, such***  
2        ***as to stop soliciting new business from mainland investors***, the  
3        watchdog said.

4        ***Although existing Chinese clients will still be allowed to trade via***  
5        ***existing platforms, new money must not flow into these accounts***  
6        ***unlawfully***, the CSRC added.

7        [. . .] UP Fintech [does] not have [a] brokerage [licence] on the  
8        mainland, but Chinese citizens can open accounts online after  
9        submitting personal information related to ID cards and bank cards.

10       In 2021, a Chinese central banker had warned that online  
11       brokerages not licenced in China were acting illegally if they served  
12       Chinese clients via the Internet.

13       It was not immediately clear how the new measures would impact  
14       the brokers' future business.

15       In statements late on Friday, [. . .] UP Fintech said [it] would  
16       cooperate with the CSRC and rectify [its] business accordingly. [. . .]  
17       while UP Fintech said 90% of its new clients now come from markets  
18       outside mainland China, including Singapore, Hong Kong, and the  
19       United States. [. . .]

20       (Emphasis added).

21       55. Also on December 30, 2022, The Wall Street Journal released an  
22       article entitled “China Regulator Says Futu, UP Fintech Violated Laws”, which  
23       discussed, in part, how Chinese regulators had warned UP Fintech in late 2021 that  
24       it would need to fully comply with Chinese securities laws. It stated, in pertinent  
25       part:

26       ***China’s securities regulator said two Nasdaq-listed online brokers***  
27       ***violated its domestic laws by allowing customers on the mainland to***  
28       ***make cross-border trades***, stoking concerns that Chinese authorities  
aren’t finished with their crackdowns on private-sector companies.

1 The American depositary receipts of Up Fintech Holding Ltd., which  
2 is also known as Tiger Brokers, fell 29% Friday in New York trading,  
3 [. . .] after the China Securities Regulatory Commission put out a  
4 statement that mentioned both companies. [. . .] UP Fintech didn't  
immediately respond to a request for comment.

5 \* \* \*

6 Up Fintech [. . .] operate[s] [a] popular retail-trading [app] that [is]  
7 similar to that of Robinhood Markets Inc., and are used by individuals  
8 in Asia to trade stocks and options listed on major exchanges in the  
U.S., Hong Kong and other markets. [. . .]

9 Even though China has strict capital controls, Chinese nationals can  
10 open bank accounts in Hong Kong and move up to \$50,000 each year  
11 offshore. They have also been able to set up brokerage accounts in the  
12 city to buy and sell overseas stocks. Up Fintech noted in its most  
13 recent annual report that its users and customers were "generally  
sophisticated Chinese investors living in and outside China."

14 The CSRC *said the online brokers' act of offering offshore*  
15 *securities-trading services to clients in mainland China doesn't*  
16 *comply with the country's laws and regulations.* It said its officials  
17 had discussions with [. . .] *Up Fintech's senior executives in late*  
*2021 and told them to comply with such laws.*

18 *The regulator also said it was requiring [. . .] Up Fintech to stop*  
19 *taking on or soliciting new domestic clients and customers, who*  
20 *aren't allowed to open accounts.*

21 The CSRC said it intends to dispatch officers to conduct on-site  
22 inspections on [. . .] Up Fintech. They would "supervise and urge the  
23 rectification, and take further regulatory measures depending on the  
rectification," the statement added.

24 *In October 2021, Chinese state media had called out [. . .] Up*  
25 *Fintech for flouting China's securities and other laws.* A senior  
26 official at China's central bank subsequently said cross-border online  
27 brokerages in mainland China were operating illegally, adding to a  
28 selloff in their ADRs.

1 *Chinese regulators have over the past two years clamped down on*  
2 *many fast-growing businesses.* The actions have caused a massive  
3 selloff in the stocks of Chinese internet-platform companies, private-  
4 tutoring firms and other businesses. In recent months, Beijing has  
5 signaled that it was easing its regulatory crackdowns and pivoting to  
6 provide more support to private-sector enterprises.

(Emphasis added).

7 56. On this news, the price of UP Fintech ADSs plummeted by \$1.36 per  
8 ADS, or 28.5% compared to the prior closing price, to close at \$3.41 on December  
9 30, 2022. The next trading day, UP Fintech ADSs fell another \$0.21 per ADS, or  
10 6.15%, to close at \$3.20 on January 3, 2023.

11 57. On May 16, 2023, during market hours, *Reuters* released an article  
12 entitled “Two online brokerages to remove China apps as Beijing data crackdown  
13 widens”. The article stated, in pertinent part:

14 Online brokerage [. . .] UP Fintech Holding Ltd will remove [its app]  
15 in mainland China amid Beijing's sharpened focus on data security  
16 and capital outflows, triggering a heavy selloff in their New York-  
17 listed shares.

18 *Chinese regulators had warned the [. . .] [firm] as early as 2021 that*  
19 *online brokerages not licensed in China were acting illegally if they*  
20 *served Chinese clients via the internet.*

21 [. . .] UP Fintech dropped nearly 9% after the announcements,  
22 recouping some premarket losses; [the stock has] been under pressure  
23 in the last couple of years over regulatory concerns.

24 *The removal of the [app] is the latest in a series of actions Beijing*  
25 *has taken in the last couple of years to crack down on a wide range*  
26 *of sectors, and data or information security has emerged as a key*  
27 *concern for authorities.*

28 In the last two months, China clamped down on consultancy and due  
diligence firms that thrived by providing investors access to industry

1 experts and investigators who could obtain valuable corporate  
2 information.

3 Futu, backed by Chinese internet giant Tencent Holdings Ltd  
4 (0700.HK), said on Tuesday its apps would be removed from app  
5 stores in China from May 19, while UP Fintech, also known as Tiger  
6 Brokers, would do the same with effect from May 18.

7 Both firms said their existing clients in mainland China would not be  
8 affected by the removal of apps.

9 The removal of [. . .] UP Fintech apps would bar a large number of  
10 potential retail investors in mainland China from trading securities  
11 easily in markets such as the U.S. and Hong Kong.

12 Reuters first reported in Dec. 2021 that Chinese officials were  
13 planning to ban online brokerages such as Futu and UP Fintech from  
14 offering offshore trading services to mainland clients.

15 Last December, the China Securities Regulatory Commission  
16 (CSRC) said Futu and UP Fintech had conducted unlawful securities  
17 business and banned them from soliciting new business from  
18 mainland investors.

19 (Emphasis added).

20 58. On this news, the price of UP Fintech ADSs declined \$0.21 per ADS,  
21 or 7.36%, to close at \$2.64 on May 16, 2023.

22 59. As a result of Defendants' wrongful acts and omissions, and the  
23 precipitous decline in the market value of the Company's common shares, Plaintiff  
24 and other Class members have suffered significant losses and damages.

#### 25 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

26 60. Plaintiff brings this action as a class action pursuant to Federal Rule  
27 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons  
28 other than defendants who acquired the Company's securities publicly traded on

1 NASDAQ during the Class Period, and who were damaged thereby (the “Class”).  
2 Excluded from the Class are Defendants, the officers and directors of the Company,  
3 members of the Individual Defendants’ immediate families and their legal  
4 representatives, heirs, successors or assigns and any entity in which Defendants  
5 have or had a controlling interest.

6 61. The members of the Class are so numerous that joinder of all members  
7 is impracticable. Throughout the Class Period, the Company’s securities were  
8 actively traded on NASDAQ. While the exact number of Class members is  
9 unknown to Plaintiff at this time and can be ascertained only through appropriate  
10 discovery, Plaintiff believes that there are hundreds, if not thousands of members  
11 in the proposed Class.

12 62. Plaintiff’s claims are typical of the claims of the members of the Class  
13 as all members of the Class are similarly affected by Defendants’ wrongful conduct  
14 in violation of federal law that is complained of herein.

15 63. Plaintiff will fairly and adequately protect the interests of the  
16 members of the Class and has retained counsel competent and experienced in class  
17 and securities litigation. Plaintiff has no interests antagonistic to or in conflict with  
18 those of the Class.

19 64. Common questions of law and fact exist as to all members of the Class  
20 and predominate over any questions solely affecting individual members of the  
21 Class. Among the questions of law and fact common to the Class are:

- 22 • whether the Exchange Act was violated by Defendants’ acts as alleged  
23 herein;
- 24 • whether statements made by Defendants to the investing public during  
25 the Class Period misrepresented material facts about the business and  
26 financial condition of the Company;



- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused the Company to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of the Company securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

65. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

66. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- the Company's shares met the requirements for listing, and were listed and actively traded on NASDAQ, an efficient market;
- as a public issuer, the Company filed periodic public reports;
- the Company regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and

1 through other wide-ranging public disclosures, such as communications with  
2 the financial press and other similar reporting services;

- 3 • the Company's securities were liquid and traded with moderate to  
4 heavy volume during the Class Period; and  
5 • the Company was followed by a number of securities analysts  
6 employed by major brokerage firms who wrote reports that were widely  
7 distributed and publicly available.

8 67. Based on the foregoing, the market for the Company's securities  
9 promptly digested current information regarding the Company from all publicly  
10 available sources and reflected such information in the prices of the shares, and  
11 Plaintiff and the members of the Class are entitled to a presumption of reliance  
12 upon the integrity of the market.

13 68. Alternatively, Plaintiff and the members of the Class are entitled to  
14 the presumption of reliance established by the Supreme Court in *Affiliated Ute*  
15 *Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants  
16 omitted material information in their Class Period statements in violation of a duty  
17 to disclose such information as detailed above.

18 **COUNT I**

19 **For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder**

20 **Against All Defendants**

21 69. Plaintiff repeats and realleges each and every allegation contained  
22 above as if fully set forth herein.

23 70. This Count is asserted against Defendants is based upon Section 10(b)  
24 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder  
25 by the SEC.

26 71. During the Class Period, Defendants, individually and in concert,  
27 directly or indirectly, disseminated or approved the false statements specified  
28

1 above, which they knew or deliberately disregarded were misleading in that they  
2 contained misrepresentations and failed to disclose material facts necessary in  
3 order to make the statements made, in light of the circumstances under which they  
4 were made, not misleading.

5 72. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that  
6 they:

- 7 • employed devices, schemes and artifices to defraud;
- 8 • made untrue statements of material facts or omitted to state material  
9 facts necessary in order to make the statements made, in light of the  
10 circumstances under which they were made, not misleading; or
- 11 • engaged in acts, practices and a course of business that operated as a  
12 fraud or deceit upon plaintiff and others similarly situated in connection with  
13 their purchases of the Company's securities during the Class Period.

14 73. Defendants acted with scienter in that they knew that the public  
15 documents and statements issued or disseminated in the name of the Company  
16 were materially false and misleading; knew that such statements or documents  
17 would be issued or disseminated to the investing public; and knowingly and  
18 substantially participated, or acquiesced in the issuance or dissemination of such  
19 statements or documents as primary violations of the securities laws. These  
20 defendants by virtue of their receipt of information reflecting the true facts of the  
21 Company, their control over, and/or receipt and/or modification of the Company's  
22 allegedly materially misleading statements, and/or their associations with the  
23 Company which made them privy to confidential proprietary information  
24 concerning the Company, participated in the fraudulent scheme alleged herein.

25 74. Individual Defendants, who are the senior officers of the Company,  
26 had actual knowledge of the material omissions and/or the falsity of the material  
27 statements set forth above, and intended to deceive Plaintiff and the other members  
28

1 of the Class, or, in the alternative, acted with reckless disregard for the truth when  
2 they failed to ascertain and disclose the true facts in the statements made by them  
3 or any other of the Company's personnel to members of the investing public,  
4 including Plaintiff and the Class.

5 75. As a result of the foregoing, the market price of the Company's  
6 securities was artificially inflated during the Class Period. In ignorance of the  
7 falsity of Defendants' statements, Plaintiff and the other members of the Class  
8 relied on the statements described above and/or the integrity of the market price of  
9 the Company's securities during the Class Period in purchasing the Company's  
10 securities at prices that were artificially inflated as a result of Defendants' false and  
11 misleading statements.

12 76. Had Plaintiff and the other members of the Class been aware that the  
13 market price of the Company's securities had been artificially and falsely inflated  
14 by Defendants' misleading statements and by the material adverse information  
15 which Defendants did not disclose, they would not have purchased the Company's  
16 securities at the artificially inflated prices that they did, or at all.

17 77. As a result of the wrongful conduct alleged herein, Plaintiff and other  
18 members of the Class have suffered damages in an amount to be established at trial.

19 78. By reason of the foregoing, Defendants have violated Section 10(b)  
20 of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the  
21 plaintiff and the other members of the Class for substantial damages which they  
22 suffered in connection with their purchase of the Company's securities during the  
23 Class Period.

## 24 **COUNT II**

### 25 **Violations of Section 20(a) of the Exchange Act**

#### 26 **Against the Individual Defendants**



1       **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for  
2 judgment and relief as follows:

3       (a) declaring this action to be a proper class action, designating Plaintiff  
4 as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of  
5 the Federal Rules of Civil Procedure and designating Plaintiff's counsel as Lead  
6 Counsel;

7       (b) awarding damages in favor of Plaintiff and the other Class members  
8 against all Defendants, jointly and severally, together with interest thereon;

9       (c) awarding Plaintiff and the Class reasonable costs and expenses  
10 incurred in this action, including counsel fees and expert fees; and

11       (d) awarding Plaintiff and other members of the Class such other and  
12 further relief as the Court may deem just and proper.

13                               **JURY TRIAL DEMANDED**

14       Plaintiff hereby demands a trial by jury.  
15

16 Dated: June 20, 2023

**THE ROSEN LAW FIRM, P.A.**

/s/ Laurence M. Rosen

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